# Teaching Marketing Strategy

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# Marketing Strategy

### Marketing

- Sits at the interface between the company and the customer
- Objective: satisfy customers and do so better than other choices (competitors) they face, while making a profit

### Strategy

- Long term perspective
- Guide for the tactics

# Different paradigms of marketing strategy

- Porter's five forces
- Competitive advantage
  - Cost or differential
- Superior performance
- Value leadership

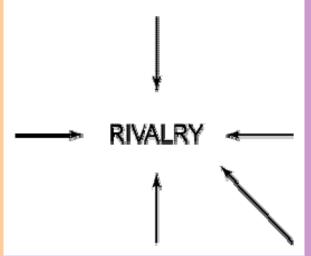
#### **Diagram of Porter's 5 Forces**

#### **SUPPLIER POWER**

Supplier concentration
Importance of volume to supplier
Differentiation of inputs
Impact of inputs on cost or differentiation
Switching costs of firms in the industry
Presence of substitute inputs
Threat of forward integration
Cost relative to total purchases in industry

#### BARRIERS TO ENTRY

Absolute cost advantages
Proprietary learning curve
Access to inputs
Government policy
Economies of scale
Capital requirements
Brand identity
Switching costs
Access to distribution
Expected retaliation
Proprietary products



#### THREAT OF SUBSTITUTES

- -Switching costs
- -Buyer inclination to substitute
- -Price-performance trade-off of substitutes

#### **BUYER POWER**

Bargaining leverage
Buyer volume
Buyer information
Brand identity
Price sensitivity
Threat of backward integration
Product differentiation
Buyer concentration vs. industry
Substitutes available
Buyers' incentives

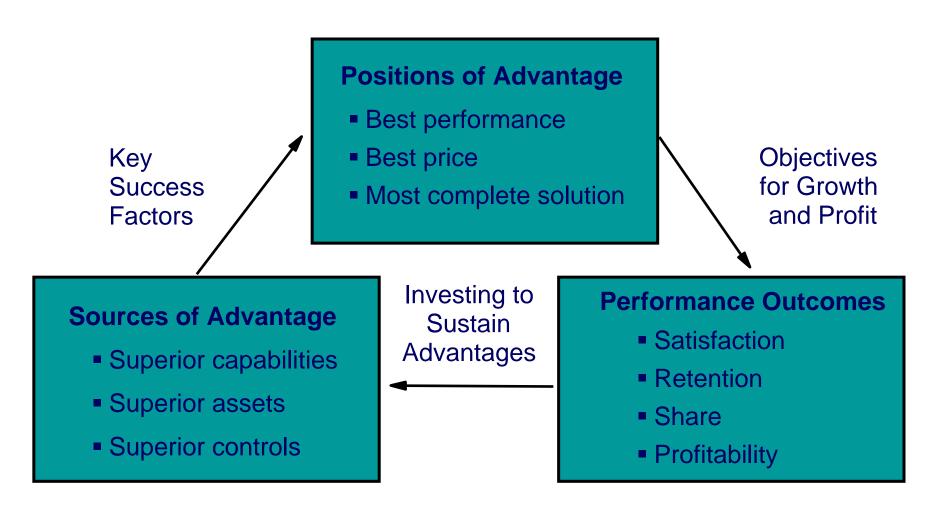
#### **DEGREE OF RIVALRY**

- -Exit barriers
- -Industry concentration
- -Fixed costs/Value added
- -Industry growth
- -Intermittent overcapacity
- -Product differences
- -Switching costs
- -Brand identity
- -Diversity of rivals
- -Corporate stakes

# Competitive advantage

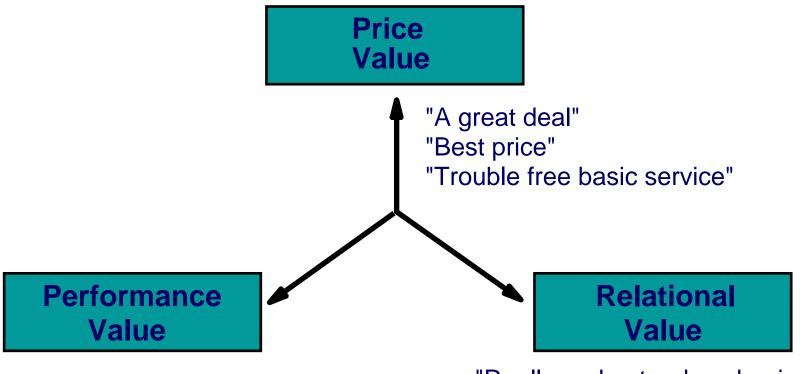
- Can be gained through
  - Lower costs enabling lower price
  - Superior product (service) which can be protected through IP
  - Recognizable and preferred brand (advertising)
  - Distribution and dominating the best resellers, shelf space, store location
  - Owning customers
    - Loyalty programs
    - Customer familiarity/intimacy/data

### **Achieving Superior Performance**



Source: George Day

#### **Customer's Views of Value Leaders**



"Always at cutting edge"

"High price but worth it"

"Constantly renewing and creative"

"Really understand my business"

"Exactly what I need"

"Close business partner"

# Process for teaching

- Lecture
- Cases (real life situations)
- Simulation



In all instances asking, how can the company improve its position with its customers.

Improve position=increase sales, market share, profitability, customer satisfaction, loyalty,...

# Simulation: Industry Dynamics

**Market growth** 





Competition

No new competitors Introduction of Lomex Collaboration for licensing and jv's

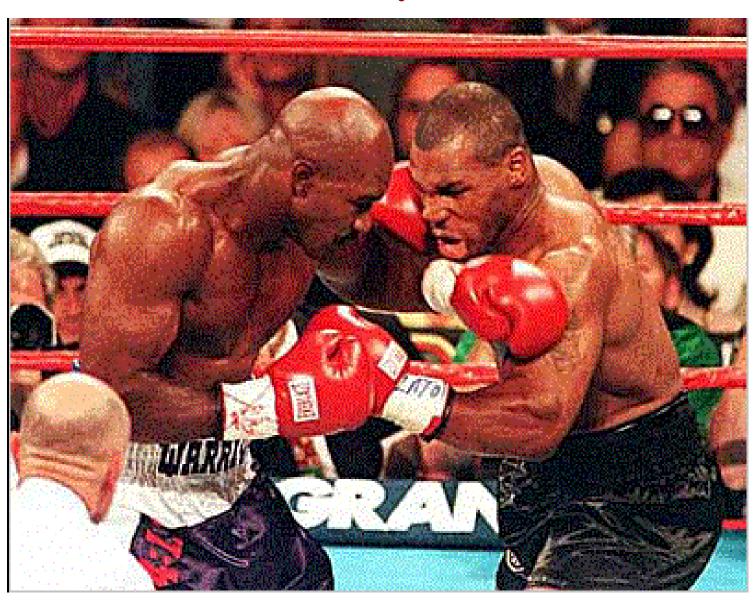
**Technology** 

No further scientific innovation expected Four Korex technologies
One Lomex technology

Economic environment

Growing GNP Inflation Antitrust intervention

# The "Competition"



# Collaboration





**★ Negotiations** Only within approved periods

**★Outcome** Licensing and/or joint research

**★Terms** Royalties: historically 3%, but deregulated now

**Negotiated annual minimum royalties** 

Other fund transfers

**★Process** Written contract and approval (arbitration in case

of violation)

**★Implementation** Compatible decisions entered by both parties

**★Risk** Government invalidates contract in case of

antitrust action

## Focus on

- Acquiring customers, either from
  - Non-users to users
  - Competitors' customers
- Retaining customers, via
  - Customer satisfaction leading to loyalty
  - Continuous improvement
  - Outperforming competitive options
- General principle: retaining customers always more efficient than acquiring customers

## Potential issues

- Local monopolies
- Competitive interaction
- Predatory pricing
- Collusion

# Another principle—local monopolies are good

- Recognize not everyone wants the same thing
- Focus on a segment
- Satisfy that segment by focusing attention and resources
- e.g., toothpaste for smokers

# Another principle—anticipate competitive response

- Before taking any move,
  - assess the moves that your competition will likely take
  - Assess the likely reactions to your move before you move
- Build the likely competitive actions and reactions into your strategy

# Predatory pricing

- It may be illegal, the key is the word "predatory"
- It may be used as a temporary device for other purposes, i.e., to gain awareness, trial, or traffic, or to help sell other products (e.g., razors and blades; printers and toners)
- Beware of lowering price, as if you think you will gain an advantage by lowering price, you may only be instigating a competitive response

# Collusion

- Unacceptable
  - You cannot collude on price
  - You cannot collude on who goes after which market

# Goal

- Serve customers
- Build capabilities
- Deliver value to customers and shareholders